

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 AID-20 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 PA-03 PRS-01

USIA-15 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 ABF-01 FS-01 RSR-01 /156 W

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P 201240Z JUL 73

FM AMEMZASSY MADRID

TO SECSTATE WASHDC PRIORITY 6251

C O N F I D E N T I A L MADRID 4071

E.O. 11652: GDS

TAGS: EFIN SP

SUBJECT: PESETA APPRECIATES IN RELATION TO DOLLAR

REF: MADRID 3831

1. AFTER FIVE MONTHS OF RELATIVE STABILITY IN ITS RELATIONSHIP WITH THE DOLLAR THE PESETA APPRECIATED 2.22 PERCENT JULY 19. THIS MEANS THE EXCHANGE RATE FOR INTERVENTION PURPOSES MOVED FROM THE 58.02 TO 1 IMF CENTRAL RATE TO A CURRENT RATE OF 56.73 PESETAS TO THE DOLLAR. THIS PLACES THE NEW RATE AT THE LOWER LIMIT OF PERMISSIBLE FLUCTUATION. ANY FURTHER APPRECIATION OF THE PESETA IN RELATION TO THE DOLLAR WOULD SIGNIFY A FLOAT, WHICH THE FINANCE MINISTRY UNDER SECRETARY FERNANDEZ ORDONEZ ASSERTED IS NOT BEING CONTEMPLATED.

2. FERNANDEZ ORDONEZ INDICATED THAT THE REASON FOR TAKING THIS STEP TO ALTER THE EXCHANGE RATE WAS DUE TO THE GENERAL WEAKENING OF THE DOLLAR IN RELATION TO OTHER WORLD CURRENCIES. WHEN IT WAS POINTED OUT THAT THE DAY ON WHICH THE GOS TOOK THIS STEP THE DOLLAR HAD STRENGTHENED IN RELATION TO MOST OTHER CURRENCIES, HE RESPONDED THAT IT WAS PRECISELY FOR THIS REASON THAT THEY DECIDED TO
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ALTER THE PESETA-DOLLAR EXCHANGE RATE IN THE OPPOSITE

DIRECTION. FERNANDEZ ORDONEZ WENT ON TO SAY THAT THE DECISION TO APPRECIATE THE PESETA VIS-A-VIS THE DOLLAR HAD BEEN TAKEN SOME WEEKS AGO AND THAT THE GOVERNMENT HAD BEEN WAITING FOR SUCH A DAY AS JULY 19 WHEN THERE WAS A MARKED STRENGTHENING OF THE DOLLAR TO IMPLEMENT THE DECISION. IN THIS WAY, HE SAID, THE SPECULATORS WOULD NOT BE ENCOURAGED TO MOVE INTO PESETAS IN A BIG WAY. IN ANY CASE, THE UNDER SECRETARY CLAIMED THERE HAD BEEN NO LARGE INFLOWS RECENTLY THAT HAD FORCED THIS MOVE UPON THEM. THE REASON FOR THIS, HE SURMISED, WAS THE EFFECTIVENESS OF THE A AND B PESETA SYSTEM (DESCRIBED IN THE REFTEL) IN DISCOURAGING SPECULATIVE INFLOWS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOLLAR, PESETA, FOREIGN EXCHANGE RATES, FOREIGN EXCHANGE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MADRID04071
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS RIVERO
Errors: N/A
Film Number: n/a
From: MADRID
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730720/aaaaaotk.tel
Line Count: 74
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 MADRID 3831
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 26 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26-Sep-2001 by kelleyw0>; APPROVED <30-Nov-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PESETA APPRECIATES IN RELATION TO DOLLAR
TAGS: EFIN, SP
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005